

Message Text

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FM AMEMBASSY KINSHASA

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C O N F I D E N T I A L KINSHASA 6905

LIMDIS

FROM VANCE

E.O. 11652: GDS

TAGS: ECON, EFIN, CG

SUBJECT: ZAIRE'S FINANCIAL SITUATION

REF: KINSHASA 6756

1. PRESIDENT MOBUTU'S SENIOR ADVISOR, BISENGIMANA, RETURNED FROM PARIS JULY 23 AND THE PRESIDENT HAD HIM CALL ME TO SET UP A MEETING TO DICUSS OUR IDEAS ON THE ECONOMIC/FINANCIAL PROBLEM WHICH ZAIRE FACES. I SAID THAT I HAD ALREADY TOLD THE PRESIDENT THAT THE USG AT THE HIGHEST LEVELS WANTS TO HELP THE ZAIRE WITH ITS PRESENT FINANCIAL PROBLEMS AS IT HAS HELPED IT IN PAST TROUBLED PERIODS. BUT THEY WAY TO HELP A FRIEND IN DIFFICULTY IS NOT TO THROW HIM A LITTLE SHORT-TERM SUSTENANCE BUT TO HELP HIM RESOLVE HIS PROBLEMS IN AN OVER-ALL FASHION. MOREOVER, AS THE MOST TROUBLESOME ASPECT OF ZAIRE'S FINANCIAL PROBLEM TODAY IS THE \$550 MILLION SHORT-TERM CREDIT OVERHAND AND AS VERY LITTLE OF THIS WAS HELD IN THE US, WE WOULD NOT, I BELIEVE UNDERSTANDABLY, BE INTERESTED IN SEEING OUR ASSISTANCE USED INDRECTLY FOR THE BENEFIT OF ZAIRE'S SHORT-TERM EUROPEAN CREDITORS. I SAID I HAD EXPLAINED TO THE PRESIDENT THAT THERE WAS MORE THAN ONE WAY OF SEEKING AN OVER-ALL SOLUTION BUT THE BEST FASHION IT SEEMED TO US

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WAS FOR THEM TO WORK WITH THE FUND. THE ALTERNATIVE WOULD

BE EITHER A PIECEMEAL APPROACH, COUNTRY BY COUNTRY, OR ORGANIZING A CLUB, NEITHER OF WHICH APPROACHES WAS VERY EFFICIENT AND BOTH INVOLVED CONSIDERABLE PUBLIC FRACAS. I HAD ASKED THE PRESIDENT WHY THEY WERE NOT PREPARED TO TALK TO THE FUND AND SEE WHAT IT WOULD PROPOSE. THE FUND HAD BEEN APPROACHED FOR HELP BY A VERY DISTINGUISHED LIST OF COUNTRIES AND IT WORKED OUT ITS ARRANGEMENTS WITH EACH ONE ON A CASE BY CASE BASIS AND THERE WAS NOTHING TO SAY THAT THE ZAIRE WOULD BE FORECED TO ACCEPT ANY PARTICULAR PROPOSAL OF THE FUND. I COULD NOT SEE WHY THE THING TO DO WOULD NOT BE TO CALL THEM AND TO TALK TO THEM. I ADDED THAT WE WOULD BE OF ANY ASSISTANCE POSSIBLE IN THIS CONNECTION AND I THEN DESCRIBED IN GENERAL TERMS THE ASSITANCE PACKAGE WE HAD WORKED UP WHICH COULD BE USED TOGETHER WITH A STANDBY CREDIT FROM THE FUND AS LEVERAGE TO RESOLVE THE ZAIRE'S OVER-ALL FINANCIAL PROBLEMS, I SIAD THAT WE DO NOT BELIEVE IN ATTACHING CONDITIONS TO ASSISTANCE OFFERED TO FRIENDS BUT THAT OBVIOUSLY WE WOULD WANT TO SEE THAT ASSISTANCE USED AS A PART OF AN OVER-ALL SOLUTION.

2. BISENGIMANA SAID HE UNDERSTOOD AND APPRECIATED OUR CONCERN THAT ZAIRE APPROACH ITS PROBLEMS IN A RATIONAL WAY AND AGREED THAT THE FUND WAS THE KEY. HE ADDED THAT THE PRESIDENT WOULD BE PARTICULARLY TOUCHED BY THE GESTURE OF NOT ATTACHING CONDITIONS, THAT I SHOULD DESCRIBE OUR APPROACH ON GOING TO THE FUND AS A COROLLARY RELATED TO THE ASSISTANCE WE ARE PREPARED TO GIVE. THE ONLY REASON, HE SIAD THAT ZAIRE HAD BEEN RELUCTANT IN THE PAST WAS BECAUSE THEY FEARED THAT CALLING IN THE FUND TOO SOON WOULD BE INTERPRETED BY THE WORLD AS A SIGN THAT ZAIRE WAS FALLING APART. NOW THAT WE HAVE TAKEN SOME AUSTERITY MEASURE OF OUR OWN, HE SAID, AND NOW THAT THE "POLITICAL SITUATION" IS BETTER, WE AGREE THAT THE TIME HAS COME TO BRING IN THE FUND.

3. BISENGIMANA THEN GOT DOWN TO THE BRASS TACKS OF HOW AND WHEN THE FUND WOULD BE CALLED IN. HE ADVISED ME TO REPAT APPROACH TO THE PRESIDENT CONCLUDING THAT THE GOZ SHOULD SEND A TELEX TO THE FUND SAYING SOMETHING LIKE CONFIDENTIAL

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"WHEREAS IT WAS AGREED THAT YOU WOULD COME AGAIN AROUND SEPTEMBER, WE WOULD PREFER..." AND THEN A DATE IN EARLY AUGUST. BISENGIMANA THEN INDICATED THAT THE FUND SHOULD SEND REPRESENTATIVES OF SUFFICIENT STATURE SO THAT THEY COULD MEET WITH PRESIDENT MOBUTU AND EAL AT THE PRESIDENCY LEVEL "WE DON'T WANT A LOW LEVEL TEAM WHICH WILL COME AND PREPARE A REPORT WHICH MUST BE SENT BAKC TO WASHINGTON FOR AN INTEMINABLE REVIEW." BISENGIMANA

SAID THAT I SHOULD PERSONALLY CONVEY THIS MESSAGE TO THE FUND UPON MY RETURN TO WASHINGTON, (I WILL, AND IN MORE DETAIL). BISENGIMANA THEN SAID THAT HE WOULD CALL THE PRESIDENT AS SOON AS I LEFT FOR MOBUTU'S RESIDENCE TO BRIEF HIM ON OUR TALK AND PREPARE HIM FOR THE FUND SCENARIO. I AGREED AND BISENGIMANA CONCLUDED THAT HE WAS EXTREMELY PLEASED BY THE US POSITION.

4. BY THE TIME I ARRIVED CHEZ MOBUTU, BISENGIMANA HAD DONE HIS WORK. THE PRESIDENT WAS EXPANSIVE AND FED BACK TO ME THE MESSAGE THAT ZAIRE WAS GRATIFIED TO SEE THAT THE US WAS CONCERNED FOR THE OVERALL PROBLEM AND NOT JUST ITS SHORT-TERM ASPECTS. HE SAID, "FOR THE FIRST TIME THE FRENCH ARE REALLY HELPING ME--AND THAT'S GOOD-- BUT IT IS SO MUCH MORE SIGNIFICANT WHEN YOUR OLDEST FRIEND (THE US) EXTENDS ITS HAND IN TIME OF NEED." AND HE ALSO SAID THAT HE WAS PARTICULARLY APPRECIATIVE OF THE FACT THAT THE NEED FOR THE IMF ROLE HAD BEEN PRESENTED AS A "COROLLARY, NOT A CONDITION." MOBUTU CONCLUDED BY SAYING THAT HE WOULD SEE TO IT THAT AN INVITATION WAS SENT TO THE FUND FOR A DATE EARLIER THAN SEPTEMBER. HE SAID HE WOULD INSTRUCT BISENGIMANA TO WORK OUT THE DETAILS. DCM WALKER ACCOMPANIED ME TO BISENGIMANA'S HOME FOR MY CONVERSATION WITH HIM AND WILL THEREFORE BE IN A POSITION TO FOLLOW THROUGH ON THIS MATTE. REGARDING BISENGIMANA'S SUGGESTION THAT A HIGH-LEVEL OFFICIAL OF THE FUND LEAD THE MISSION, IT WAS NOT RPT NOT A CRITICISM OF THE FUND'S CENTRAL AFRICAN DESK OFFICER, MR. DINI. I SPECIFICALLY ASKED IF THE GOZ HAD ANY OBJECTION TO DINI AND BISENGIMANA REPLIED THAT ON THE CONTRARY, DINI IS SEEN BY ZAIRIANS AS A FRIEND AND A VERY ABLE OFFICER. HOWEVER, HE THOUGHT IT WOULD BE PSYCHOLOGICALLY EASIER FOR MOBUTU IF A HIGHER LEVEL OFFICER ALSO ACCOMPANIED.

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6. MY DESCRIPTION OF OUR ASSISTANCE PACKAGE WAS AS FOLLOWS: IN NEIGHBORHOOD OF \$50 MILLION, MADE UP OF \$20 MILLION LINE OF CREDIT; \$20 MILLION AID PROGRAM LOAN AND \$15-20 MILLION OF PL-480 AND CCC CREDIT. I MADE CLEAR THAT NO PUBLIC REFERENCE COULD BE MADE TO THE AID LOAN BECAUSE ALTHOUGH OUR EXECUTIVE BRANCH HAD APPROVED IT, WE MUST CONSULT WITH THE LEGISLATIVE BRANCH, WHOSE APPROVAL WOULD BE NECESSARY.
ANDREW

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